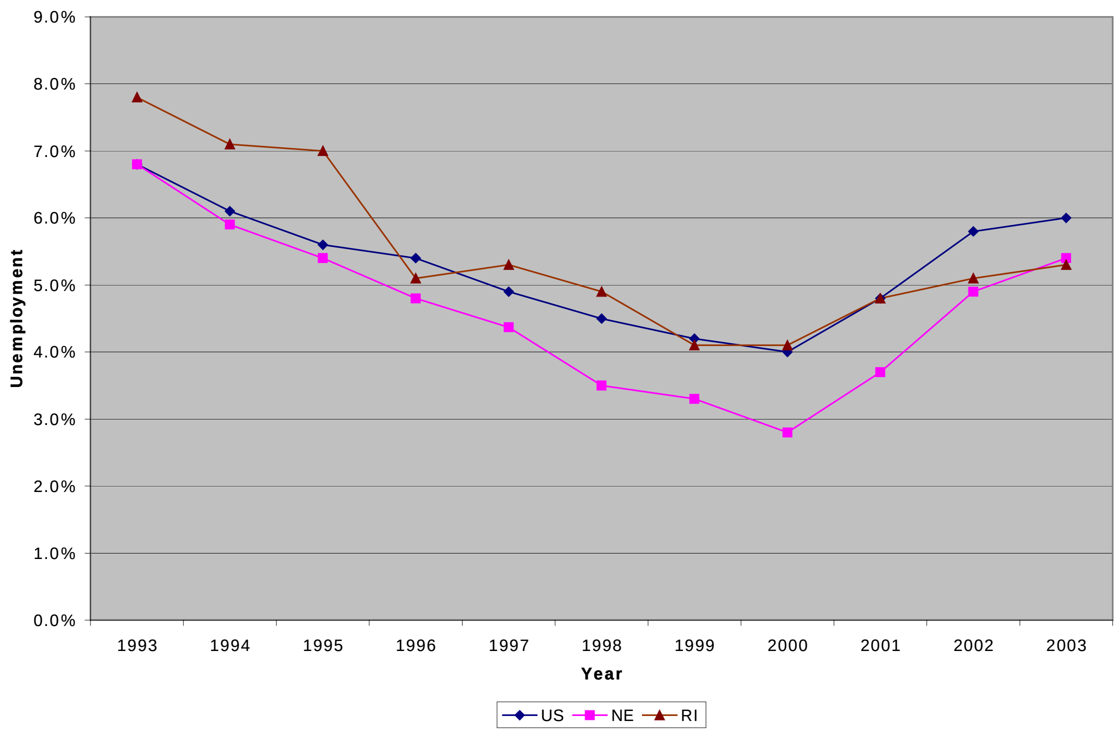
RHODE ISLAND
COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY
2004 Annual Report



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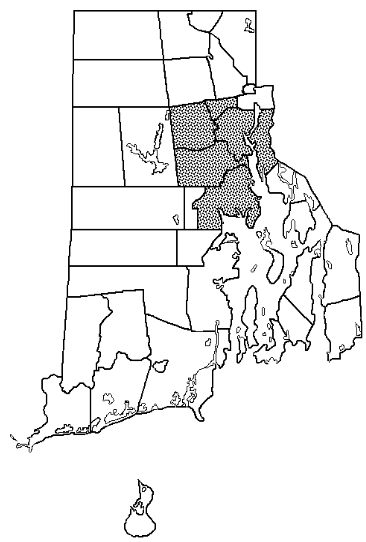

ACKNOWLEDGMENTS

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The Annual Report was presented to all three units of the Rhode Island Comprehensive Economic Development Strategy (CEDS) Committee (see Attachment 1 for membership). It was approved by the State Planning Council on September 16, 2004.

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INTRODUCTION

This document is the *2004 Comprehensive Economic Development Strategy (CEDS) Annual Report* for the State of Rhode Island. It was prepared in accordance with the guidelines issued by the U.S. Economic Development Administration (EDA). The *Annual Report* includes the Rhode Island Priority Project List for 2004, and draws upon what was initially reported in the most recent *CEDS Update,* dated December 2002.

ORGANIZING AND STAFFING FOR ECONOMIC DEVELOPMENT: THE CEDS COMMITTEE

The CEDS Committee

Rhode Island is a statewide Economic Development District and, as such, prepares a statewide CEDS every year. Rhode Island's CEDS Committee is composed of three tiers. In descending order, they are the State Planning Council, the Planning Council's Technical Committee, and the CEDS Subcommittee. The CEDS Subcommittee has members drawn from the Technical Committee and other economic development practitioners.

The State Planning Council, initially called the Policy Committee, was established on December 20, 1963. It was established by statute in 1978. It is charged with developing and maintaining a State Guide Plan as the basic guide for the long-term physical, economic, and social development of the state.

The State Planning Council was designated the Overall Economic Development Program (OEDP) Committee on April 29, 1971. When the Comprehensive Economic Development Strategy replaced the OEDP, the Planning Council formally became the CEDS Committee for Rhode Island, with advice and other support from the Technical Committee and the CEDS Subcommittee.

The Statewide Planning Program within the Department of Administration provides staff support to all three tiers of the CEDS Committee. Statewide Planning is composed of five major sections: Economic Development, Land Use, Transportation, Comprehensive Plans, and Planning Information and Support. Sections are responsible for the preparation and amendment of elements of the State Guide Plan that fall within their areas of expertise. For example, the Economic Development Planning Section has developed the *Economic Development Policies and Plan, Industrial Land Use Plan*, *Rhode Island Energy Plan* (with the State Energy Office), *State Rail Plan*, and the Narragansett Bay *Comprehensive Conservation and Management Plan* (with the Narragansett Bay Project).

Primary responsibility for the CEDS resides within the Economic Development Planning Section, which solicits and scores project proposals and drafts updates and amendments to the CEDS whenever necessary. These are submitted for adoption to the CEDS Committee – first to the CEDS Subcommittee, then to the Technical Committee, and then to the State Planning Council. Project proposals considered for inclusion in the CEDS are reviewed for consistency with the State Guide Plan by all sections of Statewide Planning before they are forwarded for action to the CEDS Committee.

Membership of the CEDS Committee in 2004

State Planning Council members are appointed in a manner consistent with Subsection 42-11-10(d) of the Rhode Island General Laws of 1956, as amended. The Council is comprised of the Governor, five state officials (one from the Governor's staff, three from the Department of Administration, and the Chair of the Housing Resources Commission); three local officials; the executive director of the R.I. League of Cities and Towns; three public members; a representative of a local community development corporation; and an advisory member from the federal government.

Section 42-11-10(e)(5) of the R.I. General Laws requires the State Planning Council to appoint a permanent advisory committee comprised of officials of all levels of government and public members from different geographic areas of the state who represent diverse interests. The Technical Committee performs this function. Like the Planning Council, the Technical Committee meets monthly and is advised by Statewide Planning staff on all aspects of its work, including technical studies, rulemaking, and amendments or additions to the State Guide Plan. With respect to the CEDS, it is the responsibility of the Technical Committee to review the priority project rating system annually and approve new projects as candidates for EDA funding, subject to final action by the Planning Council: the Priority Project List.

Every year, the Statewide Planning staff recruits individuals representing different interest groups from within and outside the Technical Committee for a CEDS Subcommittee to help score current CEDS project proposals and to revise scoring criteria, if necessary, for the following year's solicitation. The CEDS Subcommittee is not authorized by statute, but was created specially for the CEDS as a means of involving economic development specialists who were not represented on either the Planning Council or the Technical Committee.

The interests represented by members of the Planning Council, Technical Committee, and CEDS Subcommittee are wide and diverse. They include public leadership (state and local officials), economic and business development organizations (the Greater Providence Chamber of Commerce, Grow Smart Rhode Island, and the R.I. Economic Development Corporation), the employment and training sector (the R.I. Manufacturing Extension Service), community organizations (the Urban League, South Providence Development Corporation, and Progreso Latino), academia (Brown University), and professional organizations (the American Planning Association).

Membership on the Planning Council has changed somewhat since last year's *Annual Report* in response to new legislation addressing affordable housing and the separation of government powers. New members have also been recruited to the CEDS Subcommittee. See Attachment 1 for the membership listing.

ECONOMIC CONDITIONS: WHERE ARE WE NOW?

Rhode Island's Economy in 2004

For a complete analysis of the Rhode Island economy, refer to the *5 Year Update, Rhode Island Comprehensive Economic Development Strategy,* December 2002. This Annual Report summarizes the trends evident since the *Update* was published.

In spite of the recent growth of technology clusters in the medical, industrial design, and ocean science fields, Rhode Island's economy remains largely dependent on industries that have been described as "mature," "insular," and "low tech." Through the 1990s, as its neighbors benefited from the technology boom, Rhode Island typically led New England in unemployment and trailed in production wages. Some back-office operations moved from the Boston Metro area to Rhode Island due to financial incentives and the lower cost of doing business here. A number of Rhode Islanders found work in firms in Connecticut and Massachusetts. Some of these jobs were lost during the 2001-2002 recession and through subsequent mergers in the financial services industry.

From 2001 to 2003, as unemployment climbed in Connecticut and Massachusetts, Rhode Island lost its dubious distinction of leading the region in unemployment. Ironically, the dominance of "mature" and "low tech" industries in the Rhode Island economy enabled it to weather the recession better than its neighbors, but it could hardly be described as doing well. Production wages in Rhode Island fell further behind the other New England states. The unemployment rate was the second highest in the region in 2002 and the third highest in 2003.

As the other states in the region recovered – all except Rhode Island registering a drop in unemployment in the first four months of 2004 – Rhode Island's unemployment rate became the highest again, as of March and April 2004. That rate in April exceeded the U.S. unemployment rate – 5.7% in Rhode Island, vs. 5.6% nationally (U.S. Bureau of Labor Statistics, as reported by the Federal Reserve Bank of Boston, 2004).

Unemployment in Rhode Island averaged 5.3% in 2003, up half a percentage point from 2001. This compared to a national average of 6.0%, and a New England average of 5.4%. Connecticut and Massachusetts averaged 5.5% and 5.8%, respectively (Federal Reserve Bank of Boston, 2004). Figure 1 compares unemployment figures for Rhode Island, New England, and the nation as a whole to 2003.

Rhode Island added 4,300 private and public sector jobs in 2003, with nonfarm employers reporting an estimated 483,700 jobs. Last year marked the third straight year that employment grew at a rate less than one percent (RI Dept. of Labor and Training, 2004).

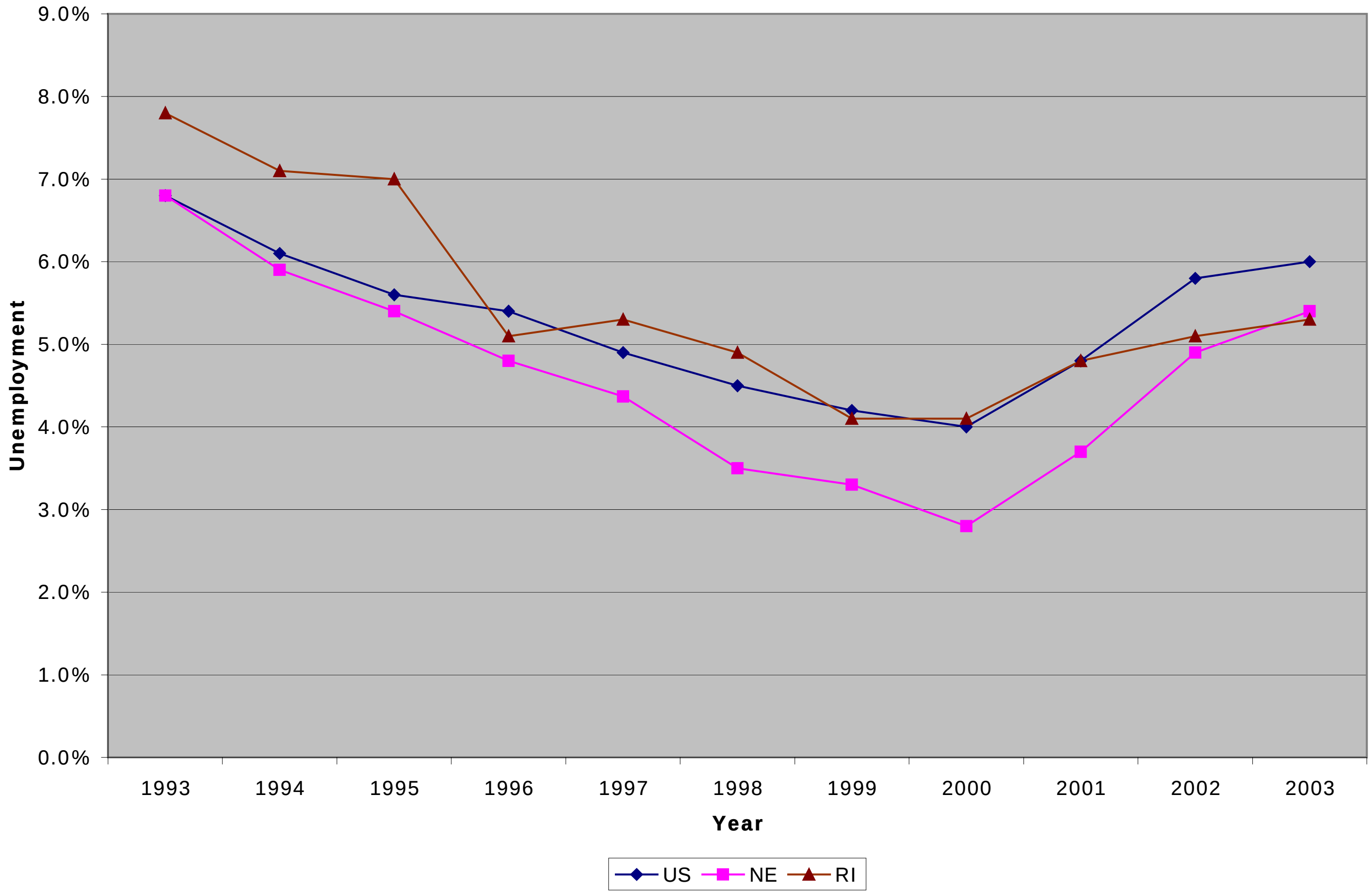
Employment in the private sector represented 86.3% of the state's covered employment, unchanged from last year. Federal, state and local government employment accounted for about 66,500 jobs, the remainder of the state's covered employment (13.7%). In the government sector, job growth was limited to local government; both federal and state government shed jobs in 2003 (RI Dept. of Labor and Training, 2004).

Rhode Island manufacturing registered another decline in 2003 with the loss of an estimated 3,400 jobs. Nearly 26,000 manufacturing jobs have been lost since 1992 (Figure 2, second page following) – a 30.5% decline in total. The services sector continues to grow and absorb some of these losses, though the services sector often does not provide a high-wage alternative to manufacturing for blue-collar workers. That notwithstanding, manufacturing still plays a significant role in the Rhode Island economy. It is the third largest employment sector, ranking behind only health care and social assistance and government among major industry divisions, at 58,900 jobs (RI Dept. of Labor and Training, 2004).

Health care and social assistance employed 70,400 Rhode Islanders in 2003, and reported the strongest job growth (+1,600, or 2.3%) among the 20 North American Industrial Classification System (NAICS) sectors. This sector provides an interesting counterpoint to manufacturing, as health care/social assistance employment has grown 26.8% since 1992, adding 14,900 jobs to the economy (RI Dept. of Labor and Training, 2004).

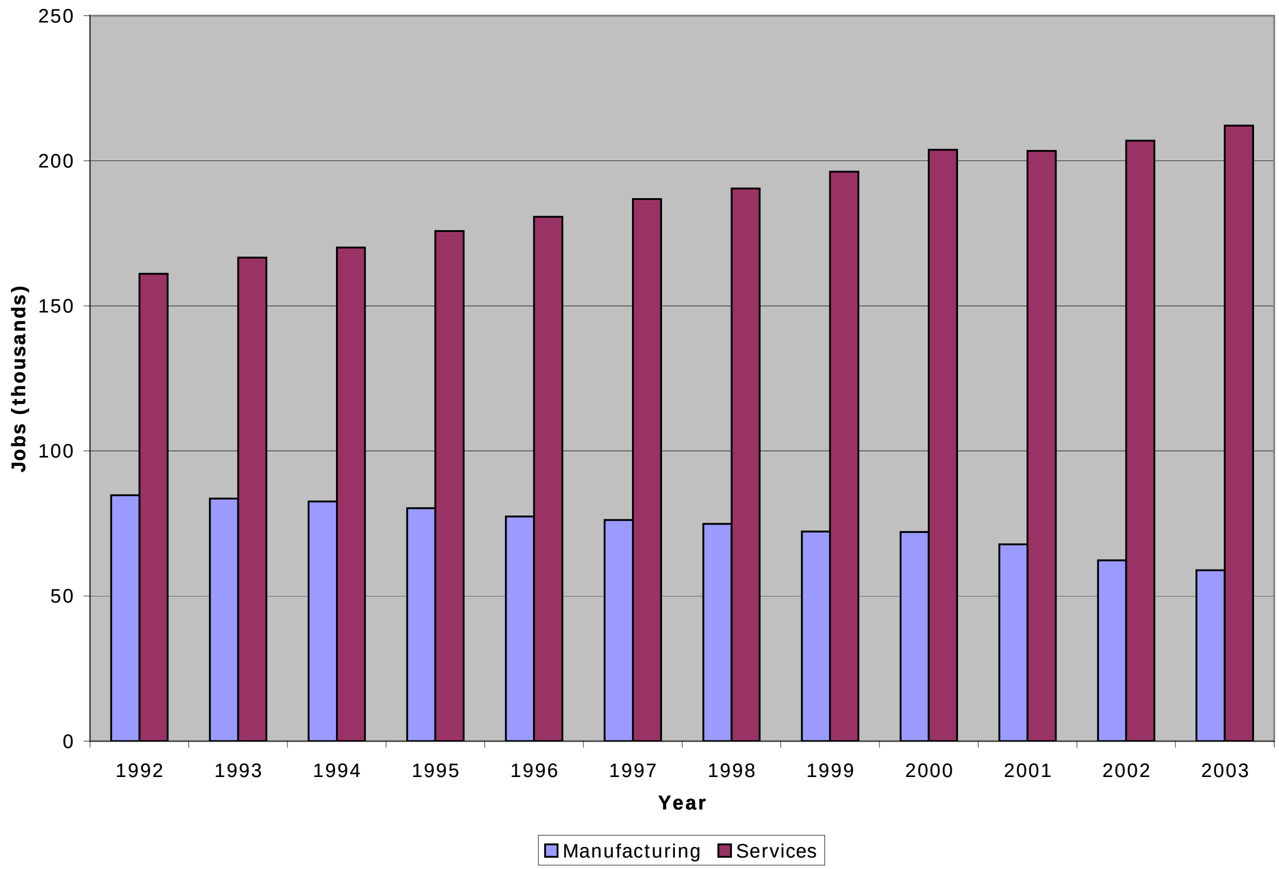
The largest *percentage* growth in 2003, however, was in construction – a 7.2% increase from last year (+1,400, a number exceeded only by health care and social assistance). An estimated 20,800 people were employed in construction, 13,500 of which were specialty trade contractors. Other high-

Figure 1
COMPARISON OF U.S., NEW ENGLAND, AND RHODE ISLAND UNEMPLOYMENT RATES



Source: Federal Reserve Bank of Boston (2004)

Figure 2
NAICS ESTABLISHMENT EMPLOYMENT: MANUFACTURING vs. SERVICES



Source: RI Dept. of Labor and Training (2004) percentage gainers were educational services and other services, each at 4.1% (RI Dept. of Labor and Training, 2004).

Other NAICS sectors posting gains in 2003 were accommodation and food services (+1,100), financial activities (+700), professional and business services (+200), and arts, entertainment and recreation (+200). A loss was recorded in information (-200), while trade, transportation and utilities was unchanged from 2002. This should not be interpreted to mean that groups within these sectors all added jobs. Some may have lost jobs, but were offset by gains in another group within the same sector. This occurred with wholesale trade (-100) and retail trade (-600) within trade, transportation and utilities; insurance carriers and related activities (-100) within financial activities; colleges and universities (-100) within educational services; accommodation (-100) within accommodation and food services; and federal (-100) and state government (-400) within government (RI Dept. of Labor and Training, 2004).

The very modest gain, overall, in employment in 2003 and the loss of ground in the first few months of this year underscore major weaknesses in the Rhode Island economy. First, in the "mature" manufacturing sector, there is a high concentration of economic activity in low-value-added industries that are highly vulnerable to foreign competition. Nearly one-fifth of the state's manufacturing employment is in those industries, in contrast to only 2% nationally. Miscellaneous manufacturing, under which Rhode Island's jewelry and silverware group is classified, reported a loss of 900 jobs in 2003. Also experiencing declines were fabricated metal products (-700), plastics and rubber products (-200), and transportation equipment (-100). Computer and electronic products lost 700 jobs (RI Dept. of Labor and Training, 2004).

Second, opportunities for blue-collar workers and the survival of the industries that employ them are linked to retraining, adding value, and remaining competitive with firms around the world. While most economic development practitioners in Rhode Island realize this, many companies (some suffering the greatest impact of foreign competition) have been slow to follow. One important exception is the nascent partnership between the R.I. Manufacturing Extension Service (RIMES) and the Town of Smithfield targeting local and regional precious metal machine shops, jewelry and various metal fabricators. Currently pursuing EDA funding, the Smithfield/RIMES partnership aims to increase company productivity and profitability, provide more value-added employment opportunities, and strengthen the town's manufacturing base. The partnership will provide technical assistance that includes problem solving and training, facility and production design, and marketing and management (Town of Smithfield, Rhode Island, 2003).

Third, the affordability of housing has become an economic development issue in Rhode Island. Finding affordable housing, whether to own or to rent, is a problem for young workers and for employers trying to recruit them. Wages have not kept pace with the cost of housing. Median sales prices on homes have jumped about 85% in the last five years, from $130,000 in 1999 to $240,000 this year (Somes, 2004).

Housing demand in times of high prices has been enhanced by very low mortgage rates, resulting in more home construction and, obviously, construction employment. With rising mortgage rates the housing market will cool and there will be some moderation of prices, but also the likelihood of layoffs in a high-wage sector (specialty trades construction) that enjoyed considerable growth in 2003.

Fourth, the Rhode Island economy relies heavily on tourism – a sector vulnerable to regional economic downturns, high gasoline prices and the fear of terrorism, and characterized by seasonal, low-wage jobs. Hospitality and leisure industries have been responsible for one quarter of Rhode Island's job gains over the past decade, and nearly one third of the gains over the past couple of years. This contrasts to only 13% nationally. Some analysts suggest that the growth of this sector is not a weakness but a positive development, that the impact of higher gasoline prices and other disruptive factors is overstated, and that the regional economy is improving, boding well for tourism's place in the state economy (Somes, 2004). Many also see tourism as a way to advertise Rhode Island's quality of life, which studies show can be a determinant in firm, executive and worker relocation. Local practitioners, quite aware of tourism's positives and negatives, are looking to develop attractions that will bring in people year-round and spin off higher-paying jobs in related industries.

Fifth, estimates of net migration over recent years have been revised and show a distinct downward trend, and the forecast can only be termed sluggish (Table 1). Population growth has fallen to less than one-third the national average – 0.36% in 2003, compared to 0.98% nationally. Demographics described by analysts as "poor" in the past thus remain so (Somes, 2004).

Table 1
RHODE ISLAND NET MIGRATION (000), 1997-2008 (Est.)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1.8	3.1	6.4	7.6	6.2	7.1	5.7	3.3	2.0	1.0	0.6	0.3

Source: Economy.com, Inc. (2004)

Sixth, the state remains heavily dependent on defense-related activity in spite of attempts at technology transfer, “conversion,” and diversification. Defense contractors large and small generally pay well, but are vulnerable to policy decisions at the federal level over which they have no control – such as the scheduling of military base closings. The next round of base closings will be announced next year, and may include parts of the Newport Naval Station. However, this may also simply involve outsourcing certain responsibilities, such as the maintenance of base infrastructure, rather than closure. That would not expected to affect the Naval War College and the Naval Undersea Warfare Center (NUWC).

And seventh, there is a shortage of skilled labor in Rhode Island. While this is generally recognized in the manufacturing sector, it is also evident in other major employers, such as health care and business services (see below). There is a growing need for training and educational programs for Rhode Island workers so that they can take advantage of a wider range of employment opportunities requiring twenty-first century skills, such as a familiarity with computers. This is also important so that Rhode Island employers do not have to look elsewhere for their workers.

Major Employers

Health services, financial services, and retail trade dominate the list of the top non-government employers in Rhode Island (Table 2). The largest private employer in the state is Lifespan, a hospital corporation, with 10,082 jobs. The largest *manufacturing* concerns in the state are General Dynamics Corporation’s Electric Boat (EB) Division, with 2,075 jobs, and Raytheon Electronic Systems, with 1,749 jobs (*Providence Business News,* 2003).

General Dynamics/Electric Boat constructs nuclear submarines and employs workers in two locations, Quonset (North Kingstown) and Middletown. An additional 572 Rhode Islanders work at EB’s facility in nearby Groton, CT (RI Economic Development Corp., 2002). Raytheon last year secured a $15.3 million contract to develop missile defense systems for the U.S. Navy (Resende, 2003). In addition, a number of contractors and subcontractors work on projects with NUWC, which is affiliated with the U.S. Navy. NUWC itself has 2,824 employees (Somes, 2003), but is not listed in Table 2 because of its government status.

NUWC’s presence in Rhode Island with Electric Boat and Raytheon underscores the impact of defense spending on the state. According to the industry advocacy group SENEDIA (the Southeastern New England Defense Industry Alliance), Rhode Island’s defense industry employed more than 15,700 people in 2003 with a payroll of nearly $900 million. This includes

Table 2
RHODE ISLAND'S TOP PRIVATE EMPLOYERS

Lifespan Corporation	10,082
Diocese of Providence	5,630
CVS Corporation	5,622
Care New England Health System	5,608
Stop & Shop, Inc.	4,555
Brown University	4,450
Citizens Financial Group, Inc.	4,100
FleetBoston Financial Corp.	3,967
Jan Companies	3,465
Shaw's Supermarkets, Inc.	2,100
General Dynamics Corp. (Electric Boat)	2,075
MetLife Insurance Co.	2,000
St. Joseph Health Services of Rhode Island	1,960
Wal-Mart	1,875
Raytheon Electronic Systems	1,749
Memorial Hospital of Rhode Island	1,653
Blue Cross & Blue Shield of Rhode Island	1,600
Fidelity Investments	1,600
Amica Mutual Insurance Co.	1,581
American Power Conversion Corp.	1,300

Source: *Providence Business News* (2004). As a list of private employers, this excludes units of government, such as the U.S. Navy, State of Rhode Island, and the City of Providence, which are also major employers.

7,692 military and civilian personnel employed by the U.S. Department of Defense, 6,293 people in "defense-dependent" employment (with more than 50% of revenues coming from defense work), and 1,727 people in "defense-related" employment (with at least 10% but no more than 50% of revenues coming from defense work) (Ninigret Partners, LLC, 2003).

Manufacturing, whether defense-related or not, is above the national average, accounting for 12.2% of total employment in Rhode Island as compared to 12% nationally (Somes, 2004). The greatest number of workers in 2003 were in miscellaneous manufacturing (548), fabricated metal product manufacturing (375), machinery manufacturing (190), food manufacturing (186), printing and related support activities (186), computer and electronic product manufacturing (98), chemical manufacturing (83), textile mills (83), and plastics and rubber manufacturing (79) (RI Dept. of Labor and Training, 2004).

Rhode Island continues to have the lowest average hourly earnings among manufacturing production workers in New England (Table 3), and the

Table 3
AVERAGE HOURLY EARNINGS, MANUFACTURING PRODUCTION WORKERS

Year	U.S.	New England	CT	ME	MA	NH	**RI**	VT
2000	14.38	14.56	15.69	14.28	14.65	13.41	**12.18**	14.22
2001	14.76	15.34	16.42	14.72	15.76	13.98	**12.68**	14.18
2002	15.29	15.87	17.24	15.55	16.25	14.21	**12.75**	14.34
2003	15.74	16.27	17.75	16.28	16.53	14.85	**12.88**	14.54

Source: Federal Reserve Bank of Boston (2004)

gap is widening. In 2003, the Rhode Island rate was $1.66 lower than the second-lowest state, Vermont, and $3.65 and $4.87 lower, respectively, than its neighbors, Massachusetts and Connecticut. In April 2004, Rhode Island workers received $1.60 less per hour than their counterparts in Vermont, but $3.73 less per hour than those in Massachusetts, and $5.25 less per hour than those in Connecticut (Federal Reserve Bank of Boston, 2004).

One sector of the Rhode Island economy that enjoyed significant growth in the late 1990s is construction. Major projects, such as the Providence Place Mall, Fidelity Investments in Smithfield, and the Marriott Courtyard in Providence contributed. However, these projects are now completed. Moreover, with the softer regional economy, vacated space has returned to the market in eastern Massachusetts, becoming competitive in price with new or refurbished construction in Rhode Island. Housing activity may also wane soon with increased mortgage rates and high prices depressing demand. While construction remains strong – expanding by about 700 jobs in the first four months of 2004 (Federal Bank of Boston, 2004), some contraction in the industry may soon follow.

Joblessness is growing in Rhode Island. The unemployment rate rose to an annual rate of 5.3% in 2003, and grew to 5.7% in April 2004 (Federal Reserve Bank of Boston, 2004). This compared to 5.1% in 2002 and 4.8% in 2001. In-state cutbacks have been compounded by reductions in nearby Connecticut and Massachusetts, particularly in the information technology industry which employs many Rhode Island commuters and has been characterized as “going nowhere” (Somes, 2004).

Table 4 shows Rhode Island’s expansions and contractions in the major industry groups compared to other states in the region. All states experienced declines in the manufacturing and information sectors, and growth in construction and leisure and hospitality. Other positives for Rhode Island were trade, transportation/utilities, financial activities, professional and

Table 4
APRIL 2004 EMPLOYMENT GROWTH (% Change from April 2003)

	CT	ME	MA	NH	**RI**	VT
Total	-0.5	+0.5	-1.2	+1.0	**+1.2**	+0.7
Nat. Res. & Mining	+10.5	+2.2	0.0	+7.6	**-16.8**	-7.6
Construction	+0.7	+3.0	+2.5	+3.6	**+15.1**	+7.4
Manufacturing	-3.9	-4.6	-2.7	-4.5	**-2.1**	-2.9
Trade	0.0	+1.1	-1.4	+2.6	**+0.2**	-0.9
Transp./Utilities	+0.7	-1.3	-2.7	+1.8	**+1.9**	0.0
Information	-2.2	-1.4	-5.2	-7.1	**-3.1**	-0.4
Financial Activities	+0.3	+0.2	-1.3	+1.5	**+0.3**	-0.4
Prof. & Business Svcs.	-1.8	-0.8	-2.3	+1.0	**+1.6**	+1.7
Edu. & Health Svcs.	+0.9	+1.7	-0.1	+2.6	**+0.7**	+4.0
Leisure & Hospitality	+3.2	+1.7	+0.8	+4.7	**+3.1**	+0.6
Other Services	+0.8	+6.4	-0.6	-6.1	**+2.7**	+1.9
Government	-1.2	+0.3	-1.7	+1.2	**+0.9**	-0.2

Source: Economy.com, Inc. (2004)

business services, education and health services, and other services. The most significant decline was in mining (a high percentage due to the relatively small number of workers in this sector – fewer than 200).

A recent bank merger, FleetBoston with Bank of America, may result in redundancies that lead to a decline in employment in Rhode Island's financial activities sector. This would offset, at least to some degree, the increase noted this year.

<u>Unemployment and Per Capita Income</u>

Unemployment figures from the four cities and towns represented on this year's CEDS Priority Project List are given in Table 5, which covers the most recent 24-month period for which data are available (June 2002 to May 2004). Two of these communities – Providence and Pawtucket – have average unemployment rates greater than the national average for the same period.

Another economic indicator worth watching is per capita income, particularly when it falls below the national average. Sixty-eight U.S. Census tracts in Rhode Island, located in 14 communities, have a per capita income 80% or less the U.S. per capita income (2000), $22,199 (US Census Bureau, 2002). As Table 6 indicates (second page following), both urban and suburban communities are affected, including those that did not experience high unemployment in the last 24 months relative to the state or national average.

Table 5
UNEMPLOYMENT RATES IN CEDS PROJECT MUNICIPALITIES
(NOT SEASONALLY ADJUSTED)

	Jun '03	Jul '03	Aug '03	Sep '03	Oct '03	Nov '03	Dec '03	Jan '04	Feb '04	Mar '04	Apr '04	May '04	**24-mo. Avg.**
Pawtucket	6.5	6.8	6.2	6.0	6.1	6.1	6.2	7.3	7.4	6.9	6.5	6.8	**6.4**
Providence	7.0	6.9	6.2	5.7	5.5	5.4	5.5	6.5	6.5	6.4	6.0	6.3	**6.2**
Burrillville	5.4	6.1	5.8	5.4	4.9	4.6	5.3	5.8	6.0	5.9	4.8	4.1	**5.6**
Warren	4.7	4.9	4.8	3.8	3.8	4.0	4.6	6.4	6.7	6.5	5.7	5.2	**4.9**
Rhode Island	5.3	5.3	5.0	4.6	4.5	4.5	4.9	6.2	6.2	6.0	5.4	5.3	**5.3**
U.S.	6.5	6.3	6.0	5.8	5.6	5.6	5.4	6.3	6.0	6.0	5.4	5.3	**5.9**

	Jun '02	Jul '02	Aug '02	Sep '02	Oct '02	Nov '02	Dec '02	Jan '03	Feb '03	Mar '03	Apr '03	May '03
Pawtucket	5.7	6.0	6.0	6.0	6.1	5.6	6.2	7.2	7.1	6.7	5.9	6.2
Providence	5.9	6.3	6.1	6.2	5.8	5.5	6.1	7.2	7.2	6.5	6.3	6.8
Burrillville	4.8	5.5	5.8	5.3	5.8	5.3	5.8	7.1	7.4	6.6	5.5	5.5
Warren	4.0	4.5	4.7	4.5	4.6	4.7	5.0	6.3	6.9	6.0	5.0	4.3
Rhode Island	4.6	4.9	5.1	5.0	5.0	4.9	5.2	6.4	6.5	5.9	5.1	5.1
U.S.	6.0	5.9	5.7	5.4	5.3	5.6	5.7	6.5	6.4	6.2	5.8	5.8

Source: RI Dept. of Labor and Training (2004)

Table 6
PER CAPITA INCOME LESS THAN OR EQUAL TO 80% NATIONAL AVERAGE
BY RHODE ISLAND CENSUS TRACT
(2000 Census)

MCD	Tract	$PCI	% U.S. PCI			MCD	Tract	$PCI	% U.S. PCI
Providence	1.01	10,098	45			Smithfield	126.01	16,363	74
Providence	1.02	15,448	70			Cranston	136	17,497	79
Providence	3	11,727	53			Cranston	141	15,927	72
Providence	4	10,173	46			Cranston	142	11,843	53
Providence	5	11,022	50			Cranston	147	16,805	76
Providence	6	8,498	38			Pawtucket	150	17,303	78
Providence	7	8,957	40			Pawtucket	151	9,291	42
Providence	8	6,875	31			Pawtucket	152	12,560	57
Providence	10	10,480	47			Pawtucket	153	11,915	54
Providence	11	11,938	54			Pawtucket	154	14,013	63
Providence	12	15,506	70			Pawtucket	155	15,289	69
Providence	13	9,169	41			Pawtucket	156	15,700	71
Providence	14	11,118	50			Pawtucket	159	17,036	77
Providence	15	7,926	36			Pawtucket	160	17,300	78
Providence	16	15,839	71			Pawtucket	161	13,155	59
Providence	17	10,470	47			Pawtucket	164	13,169	59
Providence	18	12,194	55			Pawtucket	166	14,597	66
Providence	19	12,356	56			Pawtucket	167	14,940	67
Providence	20	9,226	42			Pawtucket	171	16,812	76
Providence	21	12,001	54			Woonsocket	174	11,695	53
Providence	22	14,150	64			Woonsocket	176	13,405	60
Providence	23	10,392	47			Woonsocket	178	15,390	69
Providence	26	10,269	46			Woonsocket	179	17,291	78
Providence	27	10,479	47			Woonsocket	180	13,421	60
Providence	28	9,191	41			Woonsocket	181	13,420	60
Providence	29	13,537	61			Woonsocket	182	14,440	65
Providence	30	14,328	65			Woonsocket	183	13,055	59
Providence	36.02	14,949	67			W. Warwick	203	16,339	74
Central Falls	108	9,948	45			Warwick	217	17,694	80
Central Falls	109	11,243	51			Bristol	307	15,987	72
Central Falls	110	11,401	51			Bristol	308	16,396	74
Central Falls	111	10,485	47			Middletown	402	15,892	72
Cumberland	112	16,655	75			Newport	405	14,790	67
Johnston	125	17,649	80			S. Kingstown	514	5,052	23

Source: US Census Bureau (2002), based on a national per capita income of $22,199

ECONOMIC DEVELOPMENT ACTIVITIES IN 2004

Since they were first identified in Statewide Planning's *Economic Development Strategy* (1986), four of Rhode Island's critical needs have been cited repeatedly in our strategy *Updates* and *Annual Reports:*

- Fully serviced industrial sites
- Reuse of industrial facilities in the central cities
- Major pollution abatement capital improvement, and
- Expansion of resource-based industries, particularly tourism, marine shipping, and fishing

These needs have been addressed with policies under the three objectives set forth in the *Economic Development Policies and Plan:*

- *Employment:* Provide at least 34,200 new employment opportunities for Rhode Island residents by the year 2020, achieving and maintaining full employment and reducing underemployment.

- *Facilities:* Work with economic development practitioners to encourage sustainable industrial and commercial development that advances the long-term economic and environmental well-being of the state, and is consistent with the *State Land Use Policies and Plan,* the *Industrial Land Use Plan,* and other applicable elements of the State Guide Plan.

- *Climate:* Maintain a business environment conducive to the birth, sustenance, and growth of suitable industry and commerce.

Staff participation in economic development activities requires sensitivity to the objectives and policies of the State Guide Plan to avoid apparent inconsistencies and outright conflicts, particularly where these activities are publicly funded.

<u>This Year's CEDS</u>

The Rhode Island Comprehensive Economic Development Strategy provides the opportunity to implement the policies of the *Economic Development Policies and Plan* and local (municipal) comprehensive plans with specific, directed development proposals. Project proponents are required as part of the application process to cite at least one specific objective and policy from the *Economic Development Policies and Plan* that each of their projects fulfills. With their CEDS application, they receive a list of all the objectives and policies in the *Plan.* Most applicants are able to cite more than one policy, often several policies, that their projects will help implement. (See Attachment 3, "EDA Priority Program – FFY 2004.")

This year's solicitation of projects was the first to *require* the projects to be cited in municipalities with a state-certified local comprehensive plan. Those cities and towns that have not yet been granted state certification were ineligible to participate in the CEDS.

This was also the first year that applicants received a points bonus for locating their projects in state-designated "growth centers." The Governor's growth center initiative is considered as crucial for smart growth in Rhode Island as brownfields and mill building reclamation or restoration of historic districts. So far, there are only two officially designated growth centers. One of them, in the Town of Burrillville, is the site of one of the priority-listed projects in this year's CEDS.

In April, Statewide Planning staff hosted the annual CEDS workshop, featuring Tyrone L. Beach from the Philadelphia office of the EDA. Invitees included the more than 100 contacts on our mailing list of eligible applicants. Fourteen attended, including city planners, consultants, university faculty, economic development practitioners and staff from local nonprofits. A brief review of the latest CEDS requirements and scoring criteria was followed by the opportunity to ask questions of the CEDS staff and Mr. Beach.

During his trip to Rhode Island, Mr. Beach visited with several past and present CEDS applicants: the South Providence Development Corporation, the Providence Community Health Centers, the West Elmwood Housing Development Corporation, the City of Providence, the City of East Providence, the Town of Smithfield and RIMES, the R.I. Economic Development Corporation, and the Providence Performing Arts Center. Mr. Beach and the CEDS staff also conducted a "windshield survey" of project sites in the greater Providence area.

The 2004 project solicitation period ended on May 14. Sixteen project proposals were received from a total of 15 applicants (eight municipalities, one state agency, one academic institution, and five private nonprofits). Statewide Planning staff scored and ranked the projects, recommending a Priority Project List to the CEDS Subcommittee consisting of nine projects ranked at or above the median score. The CEDS Subcommittee approved the list and forwarded it to the Technical Committee, which in turn endorsed the list and sent it to the State Planning Council. The Planning Council adopted the Priority Project List on June 10.

Statewide Planning staff concluded a brief evaluation of the 2004 CEDS program in Rhode Island this June. Details are given later in this report, under "Evaluation." Satisfactory progress was reported in most categories, although job generation numbers needed improvement. Considerably fewer projects were submitted this year, so significantly fewer jobs were anticipated compared to last year.

The projects that made this year's Priority Project List are given in Table 7. The projects are listed alphabetically by applicant, and no "priority" within the priority list should be inferred by the order in which they appear in the table.

Table 7
PRIORITY PROJECT LIST – RHODE ISLAND CEDS, 2004

Applicant/Community	Project Title
Burrillville	Gas Line Utility Expansion
Pawtucket/Pawtucket Armory Assn.	Arts Exchange at Pawtucket Armory
Providence	Bomes Theater Restoration
Providence/Greater Providence YMCA	Village of Promise on Mashapaug Pond
Providence/Prov. Community Health Centers	Federated Lithographers Development & Preservation Project
Providence/W. Elmwood Housing Dev. Corp.	Rau Commercial Building
RI Economic Development Corp.	Business Innovation Factory
USS Saratoga Museum Foundation	Educational Facility & Tourism Attraction – Russian Submarine
Warren	Harbor Marine Town Wharf & Transportation Center

Source: Statewide Planning Program

Table 8 shows how the projects on this year's CEDS list fit with the four critical needs described above. Attachments 2 and 3 repeat the priority list, with the latter keying each project to objectives and policies in the *Economic Development Policies and Plan.*

Enterprise Zones

There are presently ten (10) state-sponsored enterprise zones in Rhode Island. Altogether, the enterprise zones occupy 49 Census tracts in whole or in part, in some of the poorest neighborhoods in Rhode Island. Tax benefits flow to businesses locating in enterprise zones, with additional benefits for hiring residents of the zones. The program is managed by an Enterprise Zone Council that meets once a month and is advised by local planners, the state Division of Taxation, and the Statewide Planning Program. The R.I. Economic Development Corporation provides staff support.

In addition to the ten state enterprise zones, there is a Providence neighborhood designated a federal enterprise community. All the tax benefits that accrue from the state enterprise zone program apply there as well.

The advisory/liaison role played by Statewide Planning staff on the Enterprise Zone Council stems from the agency's advocacy of policies for urban and industrial redevelopment in the State Guide Plan, particularly the *Economic Development Policies and Plan* and the *Industrial Land Use Plan.*

Table 8
RHODE ISLAND COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY: PRIORITY-LISTED PROJECTS KEYED TO STATE "NEEDS"

Need 1. Fully serviced industrial sites

- Gas Line Utility Expansion, Burrillville (Town of Burrillville)

Need 2. Reuse of industrial facilities

- Pawtucket Armory Arts Exchange, Pawtucket (City of Pawtucket/ Pawtucket Armory Association)
- Village of Promise on Mashapaug Pond, Providence (City of Providence/Greater Providence YMCA)
- Federated Lithographers Development & Preservation Project, Providence (City of Providence/Providence Community Health Centers)
- Rau Commercial Building, Providence (City of Providence/West Elmwood Housing Development Corporation)
- Business Innovation Factory, Providence (RI Economic Development Corp.)

Need 3. Major pollution abatement capital improvements

- Most projects listed under Need 2 involve brownfields remediation

Need 4. Expansion of resource-based industries (tourism, marine shipping, fishing)

- Bomes Theater Restoration, Providence (City of Providence)
- Educational Facility & Tourism Attraction – Russian Submarine, Providence (U.S.S. Saratoga Museum Foundation)
- Harbor Marine Town Wharf & Transportation Center, Warren (Town of Warren)

Source: Statewide Planning Program

The R.I. Economic Development Corporation has again affirmed that enterprise zones have contributed significantly to economic development in Rhode Island. The RIEDC reported that, as of May 2004, 124 enterprise zone businesses had been certified for tax year 2003, generating 723 new jobs and hiring 259 enterprise zone residents.

Partnering for Economic Development

The Rhode Island CEDS encourages partnering. Overtures toward this end reflect EDA's Investment Policy Guidelines, but also come from a longstanding policy to encourage projects of a regional or statewide nature as opposed to those that are strictly local. Regional and statewide impact is defined in the CEDS application materials, and applicants are awarded additional points if regional or statewide impact can be demonstrated. If a partner is listed as a co-applicant, the project proposal is entitled to more points. Collaborations between and among all eligible applicants are thus encouraged.

Three proposals on the Priority Project List involve a partnership between the City of Providence and a local nonprofit: the Greater Providence YMCA ("New Providence YMCA on Mashapaug Pond"), Providence Community Health Centers ("Federated Lithographers Development and Preservation Project"), or the West Elmwood Housing Development Corporation ("Rau Commercial Building"). A fourth proposal involves the City of Pawtucket and the nonprofit Pawtucket Armory Association ("Pawtucket Armory Arts Exchange").

Involvement of the nonprofits enables public funds from the EDA to leverage significant private investment in some of the poorest neighborhoods in Rhode Island. The degree of private sector commitment to CEDS projects has improved markedly from last year. In 2003, 58% of the priority-listed projects had private funds already committed to them; this year, 78% of the projects made the same claim.

The CEDS Committee and staff see the promotion of industrial clusters through the CEDS as another means of encouraging partnering among the firms participating in each cluster and possibly among CEDS applicants. In 2003, 68% of the projects on the priority list aided at least one cluster; this year, 89% of the projects promoted clusters. These are shown in Table 9. The clusters included medical technology and health services, travel and tourism, finance and insurance, innovation services, and the "creative" cluster spanning the arts, culture, knowledge creation, business innovation and industrial design.

Meanwhile, the RIEDC has identified ten clusters as important to the Rhode Island economy, all of which correspond to the specific industrial groups the CEDS has cited. These are listed in Table 10.

Table 9
2004 PRIORITY-LISTED PROJECTS LINKED TO INDUSTRIAL CLUSTERS

Applicant/Project	Cluster
Burrillville/Gas Line Utility Expansion	Medical Services and Technology
Pawtucket, Pawtucket Armory Association/ Arts Exchange at Pawtucket Armory	Creative (Arts and Culture)
Providence/Bomes Theater Restoration	Creative (Arts and Culture)
Providence, Greater Providence YMCA/ New Providence YMCA on Mashapaug Pond	N/A (none identified)
Providence, Providence Community Health Centers/Federated Lithographers Develop-ment & Preservation Project	Medical Services and Technology
Providence/West Elmwood Housing Develop-ment Corp./Rau Commercial Building	Finance and Insurance
RI Economic Development Corp./Business Innovation Factory	Creative (Design and Business Innovation)
USS Saratoga Museum Foundation/Educa-tional Facility & Tourism Attraction – Russian Submarine	Travel and Tourism
Warren/Harbor Marine Town Wharf & Trans-portation Center	Travel and Tourism

Source: Statewide Planning Program

Table 10
NOTABLE RHODE ISLAND INDUSTRIAL CLUSTERS

Clusters Identified by the EDC	Corresponding CEDS Clusters
Health and Life Sciences	Medical Services and Technology
Financial Services	Finance and Insurance
Manufacturing and Industrial Products	Jewelry; Precision Metalworking; Creative (Design and Business Innovation); Elec-tronics
Hospitality	Travel and Tourism
Consumer Goods	Jewelry; Electronics
Education	Creative (Knowledge Creation)
Creative, Advertising and Media	Creative
IT and Telecommunications	Electronics; Software and Communications
Marine/Environmental	Boat Building and Marine Trades; Creative (Knowledge Creation)
Defense/Homeland Security	Defense

Source: RI Economic Development Corp. and Statewide Planning Program

Cluster development has been part of Rhode Island's economic development strategy for several years, from the convening of the first working groups of industry leaders by the R.I. Economic Policy Council in 1996 to the establishment of the Samuel Slater Technology Fund and Slater Centers for Biomedical Technology, Design and Manufacturing, Interactive Technologies, and Marine and Environmental Technologies. The Slater Centers provide funding and mentoring for projects and start-up companies within their individual disciplines. Their mission is to foster the commercialization of new technologies that can lead to high-wage employment opportunities for Rhode Islanders.

For example, in May 2004 the Slater Center for Marine and Environmental Technologies provided a $185,000 convertible five-year loan to Portsmouth-based SonicWorks, Inc., to develop a state-of-the-art underwater surveillance capability for ports and other sensitive coastal features based on its proprietary acoustic positioning and navigation system for remotely operated vehicles. The Center also partnered with the University of Rhode Island's College of Business Administration to help companies such as Ocean State Shipbuilding, a firm based in North Kingstown, develop business plans and marketing strategies for commercial and military customers (Slater Center for Marine and Environmental Technologies, 2004).

Other organizations supporting cluster-based economic development include the R.I. Manufacturing Extension Service, which last year partnered with the Town of Smithfield on a CEDS/EDA project to provide technical assistance to local precision metalworking firms to enhance company competitiveness; the Center for Design and Business, a Slater-funded collaboration between Bryant College and the Rhode Island School of Design to develop stronger and more profitable businesses, using the combined expertise of the state's premier business and design schools; the Rhode Island Technology Council, whose clients include Rhode Island's software and telecommunications companies; and the Engineering Research and Education Centers at the University of Rhode Island and the Brown University Research Foundation, which manage knowledge creation and application (i.e., research and inventions) by faculty and research staff (Henrickson, 2003).

The boat building/marine trades cluster remains active, building on the work initially done by the Center for Environmental and Economic Development at Roger Williams University, the Export Assistance Center at Bryant College, and the State of Rhode Island through Statewide Planning and the RIEDC. An active, up-to-date website, **www.riboats.org**, provides links to boat builders and repair facilities, boat dealers and brokers, designers and software, insurance and finance, marina, marine supplies, schools and instruction, and trade associations.

The "Creative" Economy

Statewide Planning participated this spring in another workshop ("café") on the creative economy in Providence. This was sponsored by the Providence Foundation and New Commons (formerly Organizational Futures) and concentrated on seven topics accepted by the group previously as desirable outcomes:

- Make creativity and innovation the unifying vision
- Open the "Providence Commons" (neighborhoods) as a network of spaces and places to connect creators and entrepreneurs
- Turn pioneers into owners with more live/work spaces for creators, using models combining or separating workplaces and residences in revitalized neighborhoods
- Reduce the brain drain caused by young people leaving Providence once they graduate
- Invest in emerging creators through a program of creativity grants, studio space and tools
- Take creativity education pilots to scale in schools, fostering creative thinking and practice
- Revitalize neighborhood centers

The scope of work asked participants to focus on what was doable over the short term "with current resources and conditions," rather than attempt to develop a large plan that may not be achievable. Volunteers from New Commons, the Providence Foundation, the R.I. Economic Policy Council and R.I. Housing were among the working group leaders. Recommendations derived from the "café" identified programs and curricula for youth that promoted creative thinking and should be supported, such as City Arts, New Urban Arts, South Providence Youth in Action and Junior Achievement. The groups also cited several plans for urban redevelopment that could provide the desired live/work space to creators and entrepreneurs, including the former Rau Fastener and Federated Lithographers buildings (both priority-listed CEDS projects).

<u>Development Activities at Quonset Davisville</u>

An ongoing task is Statewide Planning's review of development activities (the leasing or purchase of land, siting of businesses, construction of buildings, renovations and expansions, etc.) at the Quonset Davisville Port and Commerce Park. To date this year, four projects have been reviewed for consistency with the various elements of the State Guide Plan, including the *Economic Development Policies and Plan.* All were found consistent.

This review is mentioned here because it is a somewhat CEDS-related task. Many of the infrastructure improvements that have taken place at Quonset Davisville over the years to enable development to occur originated as proposals on a CEDS or an Overall Economic Development Program priority list, and would not have been possible without EDA assistance. The Quonset Davisville experience has proven that fully serviced industrial sites will serve as a magnet for businesses.

CEDS EVALUATION

<u>The Action Plan</u>

The simple, overarching goal that is the basis of the *Economic Development Policies and Plan* is to “foster and maintain a vigorous economy able to provide an adequate number and variety of activities that generate wealth for the people of the state.” This statement encompasses all of the purposes of economic activity: jobs, income, production of goods and services, capital investment, and government revenue. The three objectives that guide Rhode Island in achieving this goal are:

1) Provide at least 34,200 new employment opportunities for Rhode Island residents by the year 2020, achieving and maintaining full employment and reducing underemployment.

2) Work with economic development practitioners to encourage sustainable industrial and commercial development that advances the long-term economic and environmental well-being of the state, and is consistent with the *State Land Use Policies and Plan, the Industrial Land Use Plan,* and other applicable elements of the State Guide Plan.

3) Maintain a business environment conducive to the birth, sustenance, and growth of suitable industry and commerce.

In the *Economic Development Policies and Plan,* discrete steps toward the accomplishment of each of these objectives are listed as policies. Taken altogether, the single goal, the three objectives, and the policies that support them constitute Rhode Island’s action plan. Implementation comes through the CEDS, as planners and practitioners in the public and private nonprofit sectors – at the state, regional, and local levels – submit creative project proposals that implement their own economic development strategies consistent with the *Plan’s* long-term objectives.

Each CEDS applicant is required to key his or her project to a specific objective and policy in the *Economic Development Policies and Plan.* This is a threshold requirement independent of numerical scoring, ensuring that each proposal, regardless of its ultimate score or status as a priority project, would in its own way help implement the action plan. The goals below are derived directly from policies in the *Plan,* allowing us to determine how well we are conducting Rhode Island’s CEDS by how well we are implementing the *Economic Development Policies and Plan*.

Evaluating the CEDS Planning Process

The CEDS Committee is composed of three units: the State Planning Council, its Technical Committee, and the CEDS Subcommittee. The State Planning Council, as the top unit, provides the direction for CEDS policy development in accordance with elements of the State Guide Plan, including the *Economic Development Policies and Plan.* The Planning Council also gives final approval to the Priority Project List submitted with each year's CEDS report, and any revision to the priority rating system used to develop that list.

The Planning Council's advisory committee is the Technical Committee, the second unit of the CEDS Committee. Members of the Technical Committee include transportation, health, energy and economic development planners from state agencies. Also included are municipal planners, academics, and public policy advocates. The Technical Committee reviews the CEDS priority project rating system and results of the project solicitation, and must endorse any action before it is brought to the State Planning Council.

The Technical Committee appoints a CEDS Subcommittee, the third unit of the CEDS Committee. The Subcommittee works with the Statewide Planning Program staff to develop and revise the scoring criteria in the rating system, solicit projects, and rate those projects to determine whether they will be included on the Priority Project List.

The CEDS Subcommittee includes members recruited from outside the State Planning Council and Technical Committee. The Subcommittee thus provides an opportunity to broaden representation of racial, ethnic and cultural minorities on the CEDS Committee, as well as to involve private-sector economic development groups in distressed communities. Ensuring the diversity of representation on the CEDS Committee fosters the ability of the CEDS to reflect a balance among state, community and private economic development interests, in accordance with our first CEDS goal:

Goal 1: To involve as broad a range of economic development practitioners in the CEDS as possible.

Progress toward attaining this goal and others to follow in this evaluation can be discussed qualitatively or quantitatively.

Qualitative measures of achievement – 1) Recognize local character, cultural diversity and heritage as major assets to be protected and promoted in economic development, and ensure that diverse economic, cultural and ethnic interests are represented in the membership of our CEDS planning bodies.

2) Solicit projects from all eligible applicants, conducting the necessary outreach to do so.

Quantitative measures of achievement – 1) Determine how many economic and business development organizations are represented on the CEDS Committee (the three units in total).

Evaluation criteria – Fewer than 10, needs improvement
10-15, good
More than 15, excellent

Finding – There were six economic and business development organizations represented on the CEDS Committee in 2004. They included the state's largest Chamber of Commerce (Greater Providence), the Laborers International Union of North America (LIUNA), the South Providence Development Corporation (a private nonprofit), Grow Smart Rhode Island, the R.I. Manufacturing Extension Service, and the R.I. Economic Development Corporation. The Urban League and Progreso Latino, minority advocacy groups with a strong emphasis on economic development, were also represented, bringing the number to eight. This is unchanged from last year. This measure of achievement *needs improvement.*

Recent Rhode Island legislation will add the Chairperson of the Housing Resources Commission to the State Planning Council, but remove an appointment traditionally made by the Speaker of the R.I. House of Representatives. The expired appointment is the representative of the LIUNA. As the state has identified affordable housing as a critical economic development issue, however, the appointment of the HRC Chair will leave the number of economic development practitioners on the CEDS Committee the same.

2) How many women and minorities are represented on the CEDS Committee (the three units in total)?

Evaluation criteria – Fewer than 10, needs improvement
10-15, good
More than 15, excellent

Finding – Sixteen individuals on the CEDS Committee (out of a total of 40) were women or members of a minority group, or 40%. This percentage is a very slight improvement (<1%) from last year. We continue making *excellent* progress toward achieving this objective.

3) How many potential applicants were targeted in the CEDS project solicitation?

Evaluation criteria – Fewer than 70, needs improvement
70-100, good
More than 100, excellent

Finding – One hundred and one (101) letters were sent to potential applicants in 2004, inviting them to request an application package and submit a project proposal. This was about 10 more than last year. Staff has therefore made *excellent* progress toward achieving the objective.

Twenty-eight potential applicants requested application packages. Fifteen applicants completed the packages and submitted, in total, 16 projects. Nine of these projects made the Priority Project List. This contrasts to last year's solicitation, when 18 applicants completed the packages but submitted, in total, 30 projects, 19 of which made the Priority Project List.

Evaluating the CEDS Implementation Process

As part of a continuing process, the CEDS Committee over the years has attempted to keep project requirements ("threshold" criteria) and the Priority Project Rating System (scoring or "discretionary" criteria) in line with EDA standards. In response to the EDA investment guideline for building and supporting industrial clusters, for example, the CEDS Committee for the first time this year made support of an existing cluster a discretionary criterion for which an applicant could receive fifteen (15) points. The CEDS Committee also boosted the number of points in the partnership criterion from five to fifteen points this year to reflect the EDA's desire to develop partnerships for economic development. These were effective incentives to applicants.

The CEDS Committee also continuously refines and revises the criteria so that priority-listed projects will effectively implement the state's own economic development objectives. Sometimes discretionary criteria are elevated to threshold criteria. This was done, for example, with the new requirement for municipalities to have a state-approved comprehensive plan, formerly a discretionary criterion for which an applicant would receive five bonus points.

The EDA's guidelines and the state's objectives correspond closely. The jobs created as a result of EDA investments are expected to provide higher-than-average wages in distressed communities and promote regional prosperity. Applicants should commit a high level of non-federal matching funds, including private investment. Public-private partnerships should indicate a higher level of commitment to successful completion by the public sector and higher market-based credibility by the private sector.

The CEDS Committee and Statewide Planning staff review and recommend revisions to the criteria used to score CEDS project proposals whenever necessary to reflect new directions in policy or newly surfaced concerns. In doing so we ensure the quality of projects by tying them to the statewide goals and objectives in the State Guide Plan and using the projects as an implementation mechanism.

For example, one criterion assesses how many permanent, non-construction jobs are to be generated per EDA dollar invested – and what the anticipated wages will be. Another determines the amount and source of non-federal support the applicants are committing to the project and awards points accordingly. Another notes whether applicants take advantage of Enterprise Zones, state-certified mill buildings or brownfields when locating their projects.

The CEDS scoring system also assigns points for a project's "area of influence." Credit in this category (five points) is given only to projects having either statewide or regional influence, as opposed to projects of a strictly local nature. Statewide projects have the likelihood of affecting the entire state. Regional projects have multi-community significance (involve more than one municipality) and may affect several municipalities in the state. This criterion is intended to reward applicants that will partner with others in other communities on a project of mutual benefit, and regional agencies that can generate projects with a regional or statewide impact.

Ideally, the project solicitation, selection and implementation process will be designed and redesigned to attain the rest of our program goals:

Goal 2: To increase the number of permanent employment opportunities for Rhode Island residents, and reduce unemployment and underemployment in the state.

<u>Qualitative measure of achievement</u> – Attract projects into the CEDS that generate a large number of direct, indirect and induced jobs.

<u>Quantitative measure</u> – How many permanent non-construction jobs are anticipated from projects on the priority list in total?

<u>Evaluation criteria</u> – Fewer than 3,000, needs improvement
3,001-5,000, good
More than 5,000, excellent

<u>Finding</u> – Just over 1,800 new jobs are anticipated in total from the Priority Project List. The number of jobs from project to project ranged from a low of seven for a theater renovation project to a high of 609 for a laboratory to promote innovation in the production of goods and services. It is highly unlikely that all the priority-listed projects will be funded so that the total number is reached; however, this measure of achievement is useful for comparing the *potential* for job generation from year to year. This potential declined significantly from last year owing to fewer project submissions, and *needs improvement.*

Goal 3: To target public economic development assistance to those projects that can increase the average wage rate in their industrial sectors and communities.

Qualitative measure of achievement – Attract projects into the CEDS that generate jobs that pay well enough to support a family and can improve per capita incomes in distressed communities.

Quantitative measure – How many projects on the priority list offer jobs with wages 250 percent or higher than the state minimum wage?

Evaluation criteria – Fewer than 20%, needs improvement
20%-50%, good
More than 50%, excellent

Finding – Five of the nine projects on the priority list, or 56% of the total, anticipated wages in excess of 250% of the state minimum wage. As the state minimum is $14,040 per year, this translates to an annual wage of $35,100 or more. This is comparable to last year. Staff therefore continues to make *excellent* progress toward achieving the objective.

Goal 4: To reclaim brownfields and encourage use of the "built environment."

Qualitative measure of achievement – Attract projects into the CEDS that will remediate and reuse brownfields and abandoned or underutilized industrial properties with infrastructure, such as mill buildings.

Quantitative measures – 1) How many projects on the priority list are located in a brownfield or a certified mill building?

Evaluation criteria – Fewer than 20%, needs improvement
20%-50%, good
More than 50%, excellent

Finding – Seven projects, or 78% of the total, are located in a brownfield or a certified mill building. This is an increase of 20 percentage points from last year. Staff therefore continues making *excellent* progress toward achieving the objective.

2) How many projects on the priority list are located in an area of the "built environment" not identified as a brownfield or a certified mill building?

Evaluation criteria – Fewer than 20%, needs improvement
20%-50%, good
More than 50%, excellent

Finding – All (i.e., 100%) of the projects not located in a brownfield or certified mill building are located in areas that were already developed – the "built environment." Staff therefore continues making *excellent* progress toward achieving the objective.

Goal 5: To encourage investment in deteriorating urban areas.

Qualitative measure of achievement – Attract projects into the CEDS that will locate within Enterprise Zones and employ Enterprise Zone residents.

Quantitative measure – How many projects on the priority list are located in an Enterprise Zone?

Evaluation criteria – Fewer than 20%, needs improvement
20%-50%, good
More than 50%, excellent

Finding – Seven projects, or 78% of the total, are located in Enterprise Zones. This is a slight decrease from last year, but staff continues to make *excellent* progress toward achieving the objective.

Goal 6: To encourage investment by the public and private sectors.

Qualitative measures of achievement – 1) Attract projects into the CEDS that have a significant commitment of private funding.

2) Attract projects into the CEDS that play to Rhode Island's strengths and promote industrial clusters and partnerships.

Quantitative measures – 1) How many projects on the priority list have funds committed from private sources?

Evaluation criteria – Fewer than 20%, needs improvement
20%-50%, good
More than 50%, excellent

Finding – Seven projects, or 78% of the total, have funds committed from private sources. This is a considerable improvement from last year. Staff has therefore made *excellent* progress toward achieving the objective.

2) How many projects on the priority list promote existing or potential clusters?

Evaluation criteria – Fewer than 20%, needs improvement
20%-50%, good
More than 50%, excellent

Finding – Eight projects, or 89% of the total, promote one or more clusters. These include the "creative" cluster along with travel and tourism, finance and insurance, and medical technology and services. This is another considerable improvement from last year. Staff therefore continues to make *excellent* progress toward achieving the objective.

3) How many projects on the priority list are partnerships between or among two or more eligible applicants?

Evaluation criteria – Fewer than 20%, needs improvement
20%-50%, good
More than 50%, excellent

Finding – Four projects, or 44% of the total, were submitted by partnerships between municipalities and nonprofits. This is an improvement of 18 percentage points from last year. Staff has made *good* progress toward achieving the objective.

Goal 7: To encourage and promote regionally initiated economic development efforts.

Qualitative measure of achievement – Attract projects into the CEDS that have a regional or statewide impact.

Quantitative measure – How many projects on the priority list have a regional or statewide area of influence?

Evaluation criteria – Fewer than 20%, needs improvement
20%-50%, good
More than 50%, excellent

Finding – Six projects, or 67% of the total, have a regional or statewide area of influence. These include proposals from the U.S.S. Saratoga Museum Foundation and the RIEDC, both of which have statewide impact. This is an improvement of more than 40 percentage points from last year. Staff has therefore made *excellent* progress toward achieving this objective.

The findings for Goals 2 through 7 are summarized in Table 11. Because the numbers of projects on priority lists vary from year to year, the evaluation is reckoned in percentages rather than raw numbers under all categories except jobs anticipated.

Conclusions

The evaluation process outlined above gives us a tool for satisfying what is fundamental to Rhode Island's Comprehensive Economic Development Strategy: enhancing EDA funding eligibility for priority-listed projects and implementing the policies and objectives of the State Guide Plan. Continuing to make satisfactory progress and improving what needs work will determine which aspects of the priority rating system we will be retain or revise. This could mean adjusting the point scales for the scoring criteria, adding new criteria, or eliminating criteria that do not prove effective.

It appears that under most categories we are making progress; however, we need to increase the number of jobs from the projects we solicit. We also need to increase representation on the CEDS Committee for economic and business development organizations. While certain individuals on the CEDS Subcommittee, Technical Committee or State Planning Council, such as the local planners, have economic development responsibilities, our goal calls for representation of economic development *organizations.* Adding a representative of organized labor to the CEDS Subcommittee to begin serving next year would be a step in that direction.

GOALS FOR THE COMING YEAR

The evaluation process outlined above gives us a tool for satisfying what is fundamental to Rhode Island's Comprehensive Economic Development Strategy: enhancing EDA funding eligibility for priority-listed projects while implementing the policies and objectives of the State Guide Plan. Although we are making good or excellent progress in what we wanted to accomplish in most areas, there are a few areas needing improvement. This coming year we will seek to:

Table 11
2003-2004 PRIORITY PROJECT LIST COMPARISON

Applicant/Community	Project Title	Jobs	Wages	Brown or Mill	Built Environ	EZ	Private Funds	Clusters	Partnership	Area of Inf
2003 PRIORITY PROJECT LIST										
Aquidneck Is. Planning Comm.	West Side Master Plan	37	yes	yes	n/a	yes	yes	Defense, boatbuilding, marine trades	no	Regional
Central Falls	Central Falls Landing	67	yes	no	yes	yes	yes	Travel/tourism	no	Regional
Central Falls	DPW Facility Relocation	19	yes	no	yes	yes	no		no	Local
Cranston	Knightsville Arts Center	115	no	yes	n/a	no	no	Travel/tourism	no	Local
E. Providence/CRIDCO	Bold Pt. Harbor Development Area	2,500	yes	yes	n/a	yes	yes	Medical services/technology	yes	Local
E. Providence/CRIDCO	Access to Omega Business Tech. District	1,350	yes	yes	n/a	yes	no		yes	Local
Greater Providence YMCA	Village of Promise on Mashapaug	140	no	yes	n/a	yes	yes		no	Local
Pawtucket/Pawt. Armory Assn.	Arts Exchange at Pawtucket Armory	80	yes	no	yes	no	yes	Creative, travel/tourism	yes	Regional
Portsmouth	Town Center Study	4	yes	no	yes	yes	yes		no	Local
Providence	Federated Lithograph	50	yes	yes	n/a	yes	no		no	Local
Providence	Southside Investment Partnership	72	no	no	yes	yes	no	Creative, travel/tourism	no	Local
Providence/W. Elmwood HDC	Rau Commercial Building	139	yes	yes	n/a	yes	yes	Finance/insurance	yes	Local
Providence Perf. Arts Center	Facility Improvements	35	no	no	yes	yes	yes	Creative	no	Local
Smithfield/RIMES	Smithfield-RIMES Mfr. Partnership	19	yes	no	yes	no	yes	Jewelry, precision metalwkg.	yes	Local
USS Saratoga Museum Fdn.	Air, Land & Sea Heritage & Tech. Park	161	no	no	yes	yes	yes	Travel/tourism	no	Statewide
Warren	Harbor Marine Town Wharf/Transp. Ctr.	44	no	yes	n/a	yes	yes	Travel/tourism	no	Regional
Woonsocket	Allen St. Extension & Streetscape Impr.	1,080	no	yes	n/a	yes	no	Creative, travel/tourism	no	Local
Woonsocket	Cumberland Hill Rd. Redevelopment	3,500	no	yes	n/a	yes	no	Travel/tourism	no	Local
Woonsocket	Lafayette Worsted Mill Complex Renov.	554	yes	yes	n/a	yes	no		no	Local
TOTAL		**9,966**	**59%**	**58%**	**100%**	**84%**	**58%**	**68%**	**26%**	**26%**
EVALUATION		Excellent	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent	Good	Good, but N.I.
2004 PRIORITY PROJECT LIST										
Burrillville	Gas Line Utility Expansion	173	no	yes	n/a	no	yes	Medical services/technology	no	Regional
Pawtucket/Pawt. Armory Assn.	Pawtucket Armory Arts Exchange	212	yes	no	yes	no	yes	Creative, travel/tourism	yes	Regional
Providence	Bomes Theater	7	yes	yes	n/a	yes	no	Creative, travel/tourism	no	Local
Providence/Greater Prov. YMCA	New Providence YMCA on Mashapaug Pond	187	no	yes	n/a	yes	yes		yes	Local
Providence/Prov. CHC	Federated Lithographers Dev. & Pres. Project	374	yes	yes	n/a	yes	yes	Medical technology/services	yes	Regional
Providence/W. Elmwood HDC	Rau Commercial Building	139	yes	yes	n/a	yes	yes	Finance/insurance	yes	Local
RI Economic Dev. Corp.	Business Innovation Factory	609	yes	yes	n/a	yes	no	Creative	no	Statewide
U.S.S. Saratoga Museum Fdn.	Educational Fac. & Tourism Attr. - Russian Sub	25	no	no	yes	yes	yes	Travel/tourism	no	Statewide
Warren	Harbor Marine Town Wharf & Transp. Center	77	no	yes	n/a	yes	yes	Travel/tourism	no	Regional
TOTAL		**1,803**	**56%**	**78%**	**100%**	**78%**	**78%**	**89%**	**44%**	**67%**
EVALUATION		N.I.	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent	Good	Excellent
N.I. = Needs improvement										

1. Increase the number of jobs anticipated in the project solicitation. We will identify ways to do this through the scoring criteria, and by increased outreach and encouragement to potential applicants to increase the number of projects submitted.

2. Continue to bring in more quality projects with regional or statewide areas of influence. We identified this as a priority item last year, and made significant progress. Regional and statewide projects accounted for two-thirds of the projects on the 2004 Priority Project List, as opposed to 26% last year.

3. Encourage partnering and private sector investment. We increased the number of bonus points in the project scoring process last year to encourage partnering among the applicants. This was successful, as the 2004 priority list nearly doubled the percentage of partnerships we experienced last year. Partnering also enhanced the quality of project proposals, as evidenced by some of the highest scores ever seen in the Rhode Island CEDS. Partnering will also increase the chances of projects being funded, as partnering is encouraged in EDA's investment guidelines.

4. Continue to attract projects into the CEDS that increase the number of permanent employment opportunities for Rhode Island residents at wages able to support families. We need to ensure that the project selection process will attract more jobs that pay well enough to have a real impact in distressed communities. Our evaluation showed we continued to make excellent progress with our wage goal set at >250% the minimum wage. We will attempt to do more through the expansion of criteria to promote maintenance and expansion of skill levels and career ladders leading to higher wages through education and training.

5. Recruit more economic development practitioners for the CEDS Subcommittee to increase the number on the Committee as a whole. Last year, our goal was to increase this number from eight to ten. Changes in the composition of the State Planning Council mandated by the R.I. General Assembly this year affected this effort, and the number was maintained at eight rather than expanded. We will rededicate ourselves to this goal over the next year.

6. Maintain communication to strengthen the partnership between EDA and the CEDS staff so that each other are notified when funding decisions are made, new projects surface, or priorities are redirected.

In the past the staff set goals for the CEDS that we hoped would increase Rhode Island employment and income once funded and implemented. The staff has just completed an evaluation of projects that the EDA funded in the state from 1996 to 2000, looking at actual job numbers, where those jobs were concentrated (geographic location and industry), and for obvious impacts on wages within the affected industries and statewide in all industries. Revisions to the CEDS selection process are anticipated; the report and its recommendations are currently under review by the Subcommittee.

REVISIONS TO THE 2004 CEDS

Local Comprehensive Plan Approval Requirement

In January 2004, the CEDS Committee approved a change that requires CEDS projects to be located in communities with a state-certified comprehensive plan. Formerly, this was a discretionary criterion for which five points were awarded; now it is a threshold criterion, similar to the requirement that applicants key their projects to specific objectives and policies in the *Economic Development Policies and Plan.* Those cities or towns with amendments to their comprehensive plans under review and not yet approved would be considered having “pending” status and complying with this requirement.

This change is intended to promote completion of the local plan review process so that certification can be awarded and to make the link between local and state economic development efforts that much stronger. It took effect in this year’s solicitation of projects.

Revised Scoring Criteria

Revisions to the priority system for ranking projects resulted in two scoring criteria being dropped, a category being added to the jobs criterion, and a redistribution of points to help the state’s criteria correspond more closely to the EDA’s investment guidelines. These revisions were first applied this year.

The two criteria that were dropped were applicant’s priority ranking (no longer required in the case of multiple submissions from the same applicant) and comprehensive plan (now a threshold requirement, as explained above). The new category under job development awards 15 points to projects that provide jobs in one or more recognized industrial clusters. In addition, point allocations were increased for the degree of private investment a project attracts and for partnering among applicants. Points were adjusted downward in the area of influence and environmental factors criteria to accommodate these changes; other criteria remained the same. The changes maintained the total maximum score of 200 points.

A new credit was given for project location in a state-designated growth center as advocated by the Governor’s Growth Council. There are currently two areas so designated, the East Providence waterfront and the Stillwater Mill complex in Burrillville. This credit was added to the brownfields and mill buildings category under the environmental factors criterion.

Impact on this Year's Solicitation

The staff has noted that fewer projects were submitted this year. It is unlikely that the revisions made to the selection process were responsible – for example, making a state-approved local comprehensive plan a threshold criterion. Local planners on the Technical Committee and State Planning Council enthusiastically supported elevating the former discretionary criterion to a requirement, providing a "pending" status was acceptable. Moreover, of the four Rhode Island communities that currently lack a state-approved comprehensive plan, only one, the Town of West Warwick, has ever participated in a CEDS project solicitation (the last time in 2002).

The credits for supporting clusters and locating in a growth center had a positive impact, as did increasing the credits for private investment and for partnering. Eight of the nine projects that were priority listed were connected to clusters, and four of the nine were the result of partnerships. Seven projects had private funding committed to them. These all represent significant improvements over last year. The Town of Burrillville submitted a project to improve utility service to the Stillwater Mill, and took advantage of the growth center credit.

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